

Message Text

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PAGE 01 NICOSI 04056 230939Z
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 FS-01 ABF-01 SIL-01 LAB-04
TRSE-00 DHA-02 ORM-02 OMB-01 COME-00 CIAE-00 INR-07
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STATE PASS AID/NESA BUREAU

E.O. 11652: N/A
TAGS: EAID, ECON, ELAB, CY
SUBJECT: EMPLOYEE CONTRIBUTIONS TO REFUGEE FUND TO END

1. GOC RECENTLY ANNOUNCED THAT AS OF JAN 1, 1977 SALARIED WORKERS WILL NO LONGER BE REQUIRED TO CONTRIBUTE PORTION OF THEIR WAGES TO THE SPECIAL REFUGEE FUND ESTABLISHED IN LATE 1974. TAX RECEIPTS FROM WAGE DEDUCTIONS, BASED ON GRADUATED SCALE UP TO 25 PERCENT OF INCOME, FOR 1976 IS ESTIMATED AT CYPRUS POUNDS 2.2 M (APPROX \$5.3M). ACCORDING TO MIN. FINANCE SOURCES, LOSS OF THIS REVENUE IN 1977 WILL BE MADE UP EITHER BY NEW TAXES OR BY SPECIAL LEVIES, AS YET UNDETERMINED. CONTRIBUTIONS TO SPECIAL REFUGEE FUND BY SELF-EMPLOYED (INCLUDING FARMERS), AND INCORPORATED BUSINESSES ARE TO CONTINUE. 1976 CONTRIBUTIONS IN THIS CATEGORY EXPECTED AT AROUND CYPRUS POUNDS 800,000 (ARROX \$1.9M).

2. COMMENT: WHILE GOC PUBLICIZED ABOVE CHANGE AS "ANTI-INFLATIONARY" MEASURE, IT APPEARS MOVE WAS INSPIRED BY NEED TO APPEASE LABOR UNION DEMANDS FOR WAGE INCREASES. ANOTHER ANTICIPATED CONCESSION TO UNIONS MAY BE REINTRODUCTION OF AUTOMATIC WAGE ADJUSTMENT TO COST-OF-LIVING INDICATORS.
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GOC PLANS TO HAVE NEW COST-OF-LIVING INDEX SCHEME READY BY DECEMBER 1977. GOC NOT EAGER TO REINTRODUCE QUARTERLY AUTOMATIC WAGE ADJUSTMENTS WHICH IN PRE-WAY PERIOD CAUSED DIFFICULTIES IN ECONOMIC AND FISCAL PLANNING BOTH FOR GOVERNMENT AND PRIVATE EMPLOYERS.
CRAWFORD

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Message Attributes

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